

SASH - Dept Repts
C 2

SASKATCHEWAN WATER SUPPLY BOARD

ANNUAL
REPORT
1982

CONTENTS/ CORPORATE DIRECTORY

CONTENTS

Letter of Transmittal.....	page 1
The Corporation.....	page 2
Review of Operations-Pipeline Water Supply.....	page 3
Systems Map.....	page 4
Review of Operations-Surface Water Supply.....	page 6
Financial Highlights.....	page 7
Ten-Year Statistical Review.....	page 8
Auditor's Report.....	page 10
Statement of Financial Position.....	page 11
Statement of Operations and Retained Earnings.....	page 12
Statement of Changes in Financial Position.....	page 13
Notes to Financial Statements.....	page 14

BOARD OF DIRECTORS

as at December 31, 1982

**Honourable Neal Hardy, Chairman
Minister of the Environment**

**Hugo S. Maliepaard
Department of the Environment**

**David M. Innes
Deputy Minister
Department of Urban Affairs**

**Thomas C. Lane
Division Director
Department of Finance**

**Raymond M. Sherdahl
Crown Investments Corporation**

**Secretary to the Board
Rodney E. Ulrich
Crown Investments Corporation**

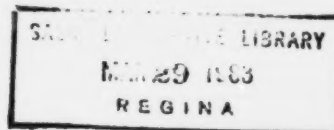
MANAGEMENT

**Gerald A. Telfer
General Manager**

**Wayne E. Randall
Operation Manager**

**R. Wayne Phillips
Administration Manager**

LETTER OF TRANSMITTAL



Watrous, Saskatchewan
March 4, 1983

To His Honour,
The Honourable C. Irwin McIntosh,
Lieutenant Governor of the Province of Saskatchewan.

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Water Supply Board for the year ended December 31, 1982, including the Financial Statements therefor, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Water Supply Board Act.

I have the honour to be, Sir,

Your obedient servant,

A handwritten signature in dark ink, appearing to read "Neal Hardy". The signature is fluid and cursive, with a long horizontal stroke at the end.

Neal Hardy,
Minister Responsible,
Saskatchewan Water Supply Board.

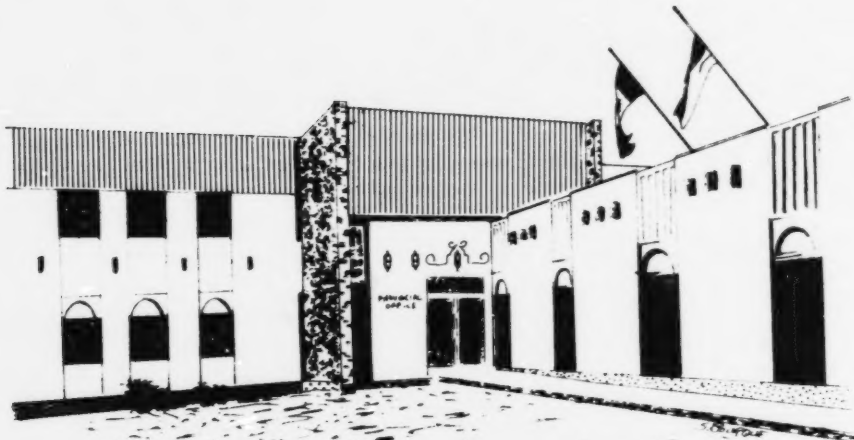
THE CORPORATION

The Saskatchewan Water Supply Board is a provincial crown corporation which was established by an Order-in-Council on January 25, 1966 pursuant to amendment to The Saskatchewan Water Resources Commission Act. The Board was continued under separate legislation (The Saskatchewan Water Supply Board Act) in 1972 when The Saskatchewan Water Resources Commission Act was repealed and the Department of the Environment established.

Essentially a regional water utility, the Board is responsible for developing and operating multi-purpose water supply projects authorized by the Lieutenant Governor in Council to service municipal, agricultural, industrial, recreational and wildlife conservation requirements in designated areas.

The Saskatchewan Water Supply Board's works are organized into three distinct systems. The largest of these is the Saskatoon-Southeast Water Supply System, a network of reservoirs, canals and pipelines constructed to distribute water from Lake Diefenbaker. The Saskatoon-Treated Water Supply System, which uses the City of Saskatoon's treated water system as a source of supply, distributes treated water via pipeline to domestic, municipal and industrial users in the surrounding region. In the same manner, the Saskatoon-West Water Supply System, using the South Saskatchewan River as a source, supplies untreated water to various domestic, municipal and industrial users in the Saskatoon area. In total, the Board's three systems consist of 85 miles of canal, 5 reservoirs and 130 miles of pipeline.

The Corporation's Head Office is located in Watrous, Saskatchewan at 411 Main Street with district offices at Blackstrap Reservoir, Saskatoon and Watrous.



HEAD OFFICE, WATROUS

REVIEW OF OPERATIONS

PIPELINE WATER SUPPLY

The total volume of water supplied by the Saskatchewan Water Supply Board to its pipeline customers decreased during the year by 350.7 million gallons, or 23.1 per cent, from 1,520.3 million gallons in 1981 to 1,169.6 million gallons in 1982. The area of significant decrease is in the diversion of raw water. During the year 880.9 million gallons of raw water were supplied to industrial, municipal and other customers which was a 27.8 per cent decrease from 1981. The cause of the decrease was due primarily to the slow down of the potash industry and also a general decrease in consumption brought about by higher than normal levels of summer rainfall.

TABLE OF DIVERSIONS

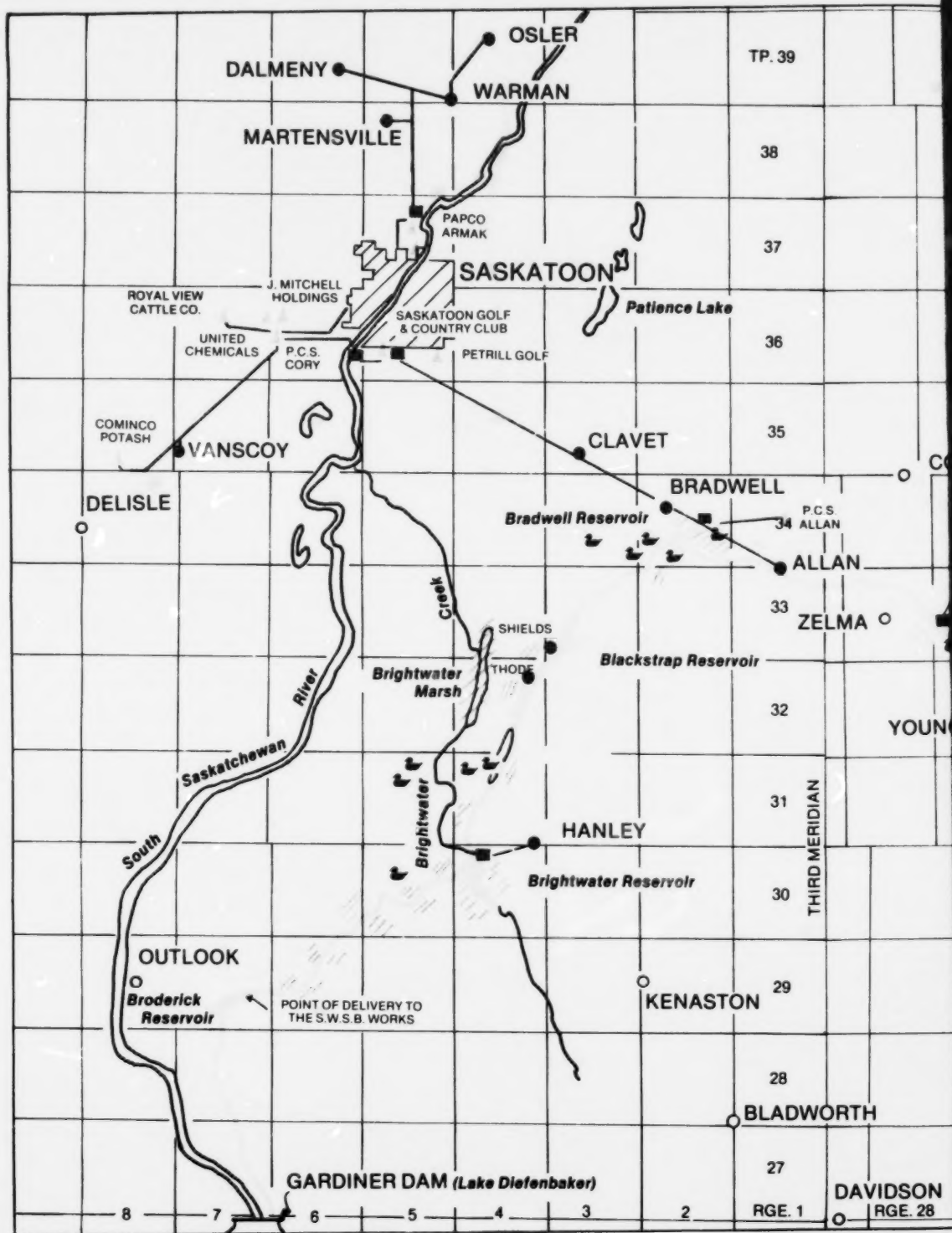
SYSTEM	COMPONENT	Millions of Gallons Supplied			
		1982	1981	Increase (Decrease)	
				Amount	Per Cent
Saskatoon-Southeast	Industrial	434.2	686.6	(252.4)	(36.8)
	Municipal	94.4	99.9	(5.5)	(5.5)
	Other	4.0	3.9	0.1	2.6
SYSTEM TOTALS		532.6	790.4	(257.8)	(32.6)
Saskatoon-West	Industrial	328.0	404.8	(76.8)	(19.0)
	Municipal	7.4	8.4	(1.0)	(11.9)
	Other	12.9	16.5	(3.6)	(21.8)
SYSTEM TOTALS		348.3	429.7	(81.4)	(18.9)
Saskatoon-Treated	Industrial	139.3	147.7	(8.4)	(5.7)
	Municipal	136.4	136.2	0.2	0.1
	Other	13.0	16.3	(3.3)	(20.2)
SYSTEM TOTALS		288.7	300.2	(11.5)	(3.8)
All Systems	Industrial	901.5	1,239.1	(337.6)	(27.2)
	Municipal	238.2	244.5	(6.3)	(2.6)
	Other	29.9	36.7	(6.8)	(18.5)
TOTALS ALL SYSTEMS		1,169.6	1,520.3	(350.7)	(23.1)

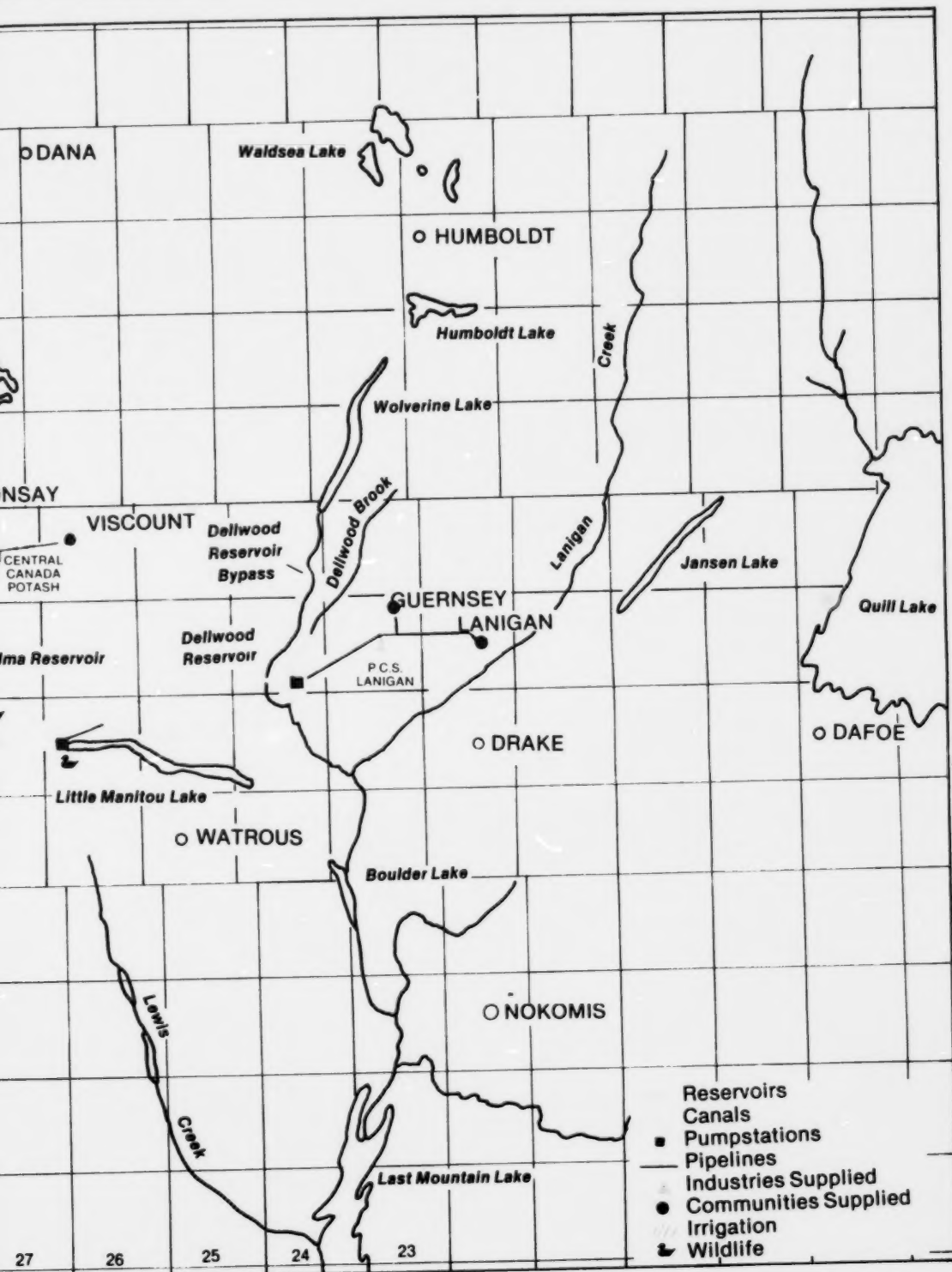
CUSTOMERS

SYSTEM	INDUSTRIAL	MUNICIPAL		OTHER*
Saskatoon-Southeast	PCS-Allan Division PCS-Lanigan Division Central Canada Potash	Shields Thode Lanigan	Hanley Guernsey Viscount	21
Saskatoon-West	Cominco PCS-Cory Division Saskatoon Golf & Country Club Petrill Golf	Vanscoy		72
Saskatoon-Treated	PCS-Cory Division United Chemicals Johanna Mitchell Holdings Ltd. Royal View Cattle Ltd. Armak Chemicals Papco Chemicals	Allan Bradwell Clavet Martensville	Warman Osler Dalmeny	49

*Other includes farm holdings and approved domestic installation

SYSTEMS MAP





REVIEW OF OPERATIONS

SURFACE WATER SUPPLY

The total volume of water supplied by the Board from canals and reservoirs comprising the Saskatoon-Southeast Water Supply System increased during the year by 1,550 acre-feet, or 5.5 per cent, to 29,950 acre-feet in 1982 from 28,400 acre-feet in 1981. The Board's surface water customers are the Department of Agriculture and the Department of Tourism and Renewable Resources.

The major use of surface water continues to be in the development of individual irrigation projects. During 1982 a further 2,376 acres were supplied with water bringing the total development to 14,618 acres. The service of these projects accounts for the overall increase in water delivered. It is anticipated that the current rate of development will be maintained during 1983.

Diversions for the Department of Tourism and Renewable Resources were made for recreation purposes and in the service of eleven waterfowl breeding projects.

Customer/Water Based Program	Acre-Feet Supplied			
	1982	1981	Increase (Decrease)	
			Amount	Per Cent
Department of Agriculture - Irrigation Projects	20,705	17,140	3,565	20.8
Department of Tourism and Renewable Resources				
- Recreation	4,800	6,500	(1,700)	(26.2)
- Waterfowl Breeding Projects	4,445	4,760	(315)	(6.7)
TOTAL	29,950	28,400	1,550	5.5



FINANCIAL HIGHLIGHTS

Financially 1982 was a difficult year for the Saskatchewan Water Supply Board. Mainly due to the downturn in the potash industry and, as well, the more favorable rainfall levels experienced this past summer the volume of water which the Board supplied by pipeline declined in 1982 on a year-to-year comparison basis for the first time since 1973. As the Board did not increase water rates during 1982 (the rates charged in 1982 were first implemented in August, 1979) the revenue from pipeline delivered water sales declined by \$128,797 from that earned in 1981. Although revenue from other operations was up somewhat this increase was insufficient to make up the pipeline sales reduction and, consequently, total revenues for 1982 were down \$109,607 from 1981.

Because of the largely fixed cost nature of the Board's pipeline operations the savings achieved as a result of lower delivery volumes were minimal. However, in consideration of the reduced level of sales which became apparent early in the year the Board did implement a program to reduce expenditures consistent with maintaining an acceptable level of service. As a result, the increase in expenses in 1982 was held to 4.9% over 1981, a level significantly below inflation levels for the year.

Net earnings for 1982 were \$357,262, about 62% of that achieved in 1981. However, given the substantial sales reductions for the year the net income for 1982 provides further indication that the Board has achieved a stable financial position particularly compared to the serious financial problems encountered during the mid-1970's as illustrated in the statistical review shown on the following pages.

The capital expenditures of \$93,507 in 1982 related to upgrading existing works or to the acquisition of maintenance equipment. As in 1981 the capital program was financed by line-of-credit financing. The Board did not add to long term debt during the year and working capital was further reduced by \$697,286.

The Board of Directors declared a dividend of \$357,262 payable to Crown Investments Corporation of Saskatchewan.



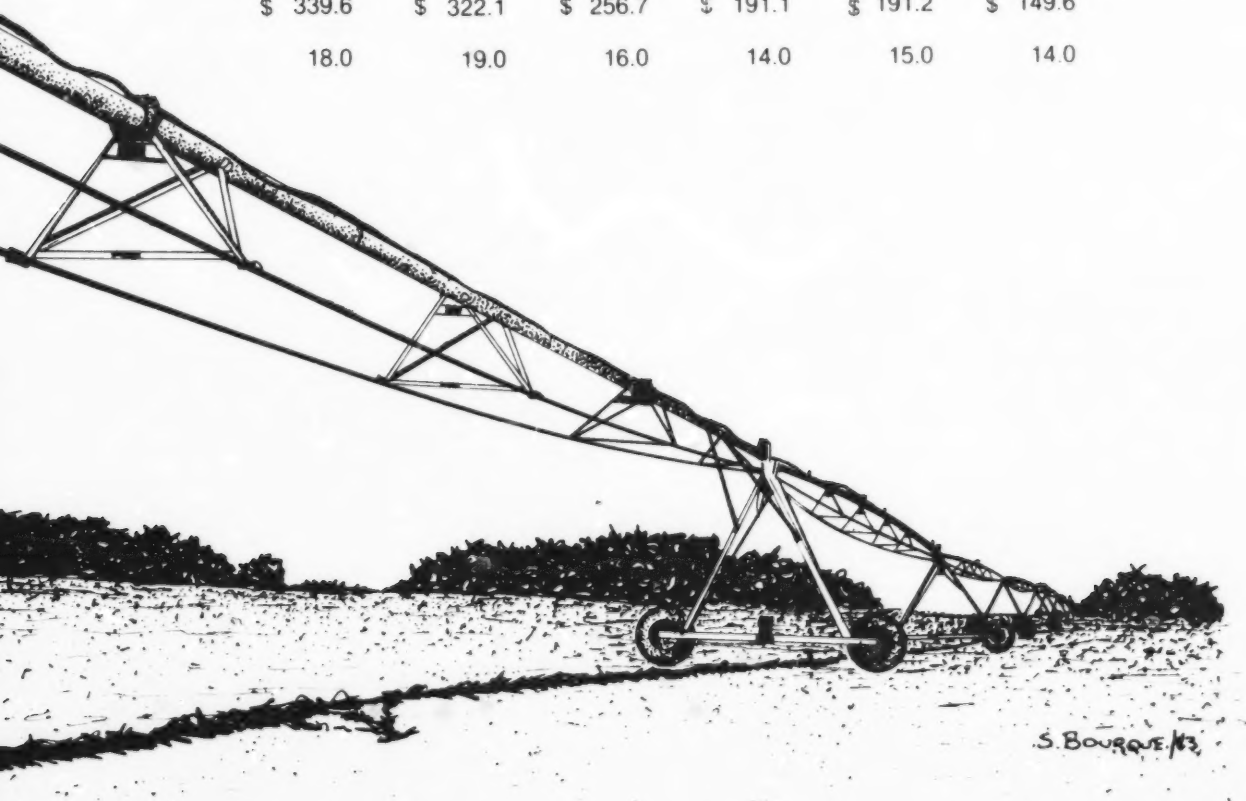
TEN YEAR STATISTICAL REVIEW

	1982	1981	1980	1979
Pipeline Customers				
Industrial.....	13	13	13	12
Municipal.....	14	14	13	12
Other.....	142	140	137*	87
Water Supplied Pipeline (thousands of gallons)				
Industrial.....	901,427	1,239,094	1,185,287	1,139,834
Municipal.....	238,344	244,571	228,606	212,557
Other.....	29,815	36,669	26,140	22,361
Canal (Acre feet)				
Irrigation.....	20,705	17,140	11,694	9,320
Recreation.....	4,800	6,500	4,800	4,100
Wildlife.....	4,445	4,760	5,962	1,560
Financial (thousands of dollars)				
Operating Revenues.....	\$ 2,696.2	\$ 2,805.7	\$ 2,625.1	\$ 2,205.4
Operating Expenses.....	\$ 1,881.9	\$ 1,755.7	\$ 1,491.3	\$ 1,229.1
Operating Income.....	\$ 814.3	\$ 1,050.0	\$ 1,133.8	\$ 976.3
Interest Expense.....	\$ 457.0	\$ 474.8	\$ 575.3	\$ 626.5
Net Income (Deficit).....	\$ 357.3	\$ 575.2	\$ 558.5	\$ 349.8
Gov't. Contribution.....	\$ —	\$ —	\$ —	\$ —
Payroll (thousands of dollars)	\$ 556.3	\$ 509.8	\$ 450.9	\$ 376.5
Persons Employed (in man-years)	16.7	18.7	18.5	18.0

*Operating revenues and net income (deficit) figures do not reflect a prior period adjustment of \$85,092 of retroactive revenue for years prior to January 1, 1978.

**1980 Other pipeline customers are adjusted to reflect multiple customers on one connection. These were counted as one customer in prior years.

1978	1977	1976	1975	1974	1973
12	11	10	8	8	8
12	11	7	6	5	5
87	80	72	59	55	45
1,051,669	1,157,879	1,023,124	997,423	980,649	745,139
170,924	108,728	88,343	76,756	72,408	63,141
21,653	19,898	33,046	22,586	10,052	7,442
7,663	6,160	3,600	3,600	3,600	3,600
4,100	4,100	4,100	4,100	4,100	4,100
1,363	2,507	2,965	2,400	2,400	2,400
\$1,853.3	\$1,749.5	\$1,328.4	\$1,051.0	\$ 996.2	\$ 880.1
\$1,133.6	\$ 982.4	\$ 733.9	\$ 656.5	\$ 641.7	\$ 585.5
\$ 719.7	\$ 767.1	\$ 594.5	\$ 394.5	\$ 354.5	\$ 294.6
\$ 714.5	\$ 584.5	\$ 633.7	\$ 712.9	\$ 730.8	\$ 735.2
\$ 5.2	\$ 182.6	\$ (39.2)	\$ (318.4)	\$ (376.3)	\$ (440.6)
\$ —	\$ —	\$ 39.2	\$ 318.4	\$ 376.3	\$ 440.6
\$ 339.6	\$ 322.1	\$ 256.7	\$ 191.1	\$ 191.2	\$ 149.6
18.0	19.0	16.0	14.0	15.0	14.0



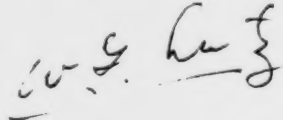
AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Water Supply Board as at December 31, 1982 and the statements of operations and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Saskatchewan Water Supply Board as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
February 17, 1983



W.G. Lutz, F.C.A.
Provincial Auditor

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	ASSETS	1982	1981
CURRENT			
Cash and short-term investments.....		\$ 121,000	\$ 158,474
Accounts receivable.....		379,747	419,655
Prepaid expenses and supplies.....		<u>25,332</u>	<u>25,143</u>
		526,079	603,272
PROPERTY, PLANT AND EQUIPMENT (NOTES 2 & 3)		<u>11,713,672</u>	<u>12,003,724</u>
		<u>\$12,239,751</u>	<u>\$12,606,996</u>

LIABILITIES AND RETAINED EARNINGS

CURRENT		
Notes payable (Note 4).....	\$ 500,000	\$ 250,000
Accounts payable and accrued liabilities.....	85,667	78,460
Accrued interest.....	392,756	387,132
Sinking fund installment due within one year.....	226,425	226,425
Dividend payable.....	<u>357,262</u>	<u>—</u>
	1,562,110	942,017
DEFERRED REVENUE (NOTE 2(d)).....	721,255	746,563
LONG-TERM DEBT (NOTE 5).....	7,499,957	8,361,987
ADVANCE FROM CROWN INVESTMENTS		
CORPORATION OF SASKATCHEWAN (NOTE 6).....	700,000	800,000
RETAINED EARNINGS.....	<u>1,756,429</u>	<u>1,756,429</u>
	<u>\$12,239,751</u>	<u>\$12,606,996</u>

(See accompanying notes)

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	1982	1981
REVENUE		
Operations (Note 9).....	\$2,603,465	\$2,711,102
Other	92,685	94,655
	<u>2,696,150</u>	<u>2,805,757</u>
EXPENSES		
Distribution	1,197,346	1,106,080
Interest (Note 7).....	456,998	474,826
Depreciation	383,058	367,883
Administration	301,486	281,739
	<u>2,338,888</u>	<u>2,230,528</u>
NET EARNINGS FOR THE YEAR	357,262	575,229
RETAINED EARNINGS AT BEGINNING OF YEAR	1,756,429	1,181,200
	<u>2,113,691</u>	<u>1,756,429</u>
DIVIDEND TO CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN.....	<u>(357,262)</u>	<u>—</u>
RETAINED EARNINGS AT END OF YEAR.....	<u>\$1,756,429</u>	<u>\$1,756,429</u>

(See accompanying notes)

**STATEMENT OF CHANGES
IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31**

SOURCES OF WORKING CAPITAL	1982	1981
Operations		
Net earnings	\$ 357,262	\$ 575,229
Charges and credits to earnings not affecting working capital		
- depreciation	383,058	367,883
- sinking fund earnings	(635,605)	(585,346)
- other	(62,037)	(58,316)
	<u>42,678</u>	<u>299,450</u>
Customer revenue prepayments (Note 2(d))	36,628	—
	<u>79,306</u>	<u>299,450</u>
APPLICATION OF WORKING CAPITAL		
Capital expenditures, net of proceeds (1982 - \$602; 1981 - \$1,789)	92,905	162,587
Sinking fund installment due currently	226,425	226,425
Repayment of advance to Crown Investments		
Corporation of Saskatchewan	100,000	100,000
Dividend payable to Crown Investments		
Corporation of Saskatchewan	357,262	—
	<u>776,592</u>	<u>489,012</u>
Decrease in working capital	(697,286)	(189,562)
Working capital (deficiency) at beginning of year	(338,745)	(149,183)
Working capital (deficiency) at end of year	<u><u>\$(1,036,031)</u></u>	<u><u>\$(338,745)</u></u>

(See accompanying notes)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1982

1. Status of the Board

The Saskatchewan Water Supply Board was incorporated in 1966 under The Crown Corporations Act and was continued in 1972 under The Water Supply Board Act. Under the terms of its Act, the Board is responsible for developing and operating multi-purpose water supply projects authorized by the Lieutenant Governor in Council to service municipal, agricultural, industrial, recreational, wildlife and domestic requirements in designated areas. The Board has been designated by order-in-council as a Corporation to which the provisions of Part II of The Crown Corporations Act, 1978 apply. Accordingly, the financial results of the Board are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

2. Accounting Policies

(a) Property, Plant and Equipment

These assets are recorded at cost. When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and the gain or loss is reflected in income for the year.

(b) Depreciation

The various classes of assets are depreciated and charged to operating expenses as follows:

CLASS	RATE	BASIS
Office Equipment	10%	Straight Line
Maintenance Equipment		
Vehicles and Mobile	30%	Diminishing Balance
Major Mobile	15%	Diminishing Balance
Other	10%	Straight Line
Buildings		
Frame Structures	5%	Straight Line
Masonry Structures	2½ %	Straight Line
Water Supply Works		
Canals	2%	Straight Line
Reservoirs	2%	Straight Line
Pipelines:		
— Steel	2½ %	Straight Line
— Asbestos Cement	2½ %	Straight Line
— Cast Iron	4%	Straight Line
— Polyvinyl Chloride	5%	Straight Line
Pump Stations		
— Structure	2½ %	Straight Line
— Pump Equipment	5%	Straight Line
— Motors and Engines	10%	Straight Line

Accounting Policies (continued)

(c) Capitalization of Expenses

(i) Interest Expense

Interest on loans for construction projects is capitalized during the construction period at the average annual rate of borrowing.

(ii) Internal Services

Internally provided engineering and land services are capitalized at a rate of ten per cent of the total of direct project construction costs provided that such costs for an individual project are less than \$1,000,000. The object of this policy is to recognize the approximate value of design, supervision and administration services rendered by Board employees on construction projects.

For projects with estimated total direct construction costs of greater than \$1,000,000 the actual costs of internally provided engineering and land services are accumulated and capitalized.

(d) Amortization of Deferred Revenue

Deferred revenue represents revenue prepayments which are required in some cases from customers at the commencement of supply under the Board's standard pricing structure. Customer revenue prepayments are amortized into operating revenue at 5 per cent per annum straight line. Amortization credited to revenue in 1982 totalled \$61,937 (1981 - \$58,004).

3. Property, Plant and Equipment

Property, Plant and Equipment	Cost	1982	Net Book Value	1981
		Accumulated Depreciation		Net Book Value
Office Equipment.....	\$ 42,505	\$ 26,106	\$ 16,399	\$ 17,440
Maintenance Equipment.....	266,946	163,782	103,164	126,607
Buildings	722,935	134,367	588,568	608,169
Water Facilities	13,789,917	4,117,768	9,672,149	9,819,556
Under Construction				
— Water Facilities.....	14,983	—	14,983	149,706
Land	1,318,409	—	1,318,409	1,282,246
	<u>\$16,155,695</u>	<u>\$4,442,023</u>	<u>\$11,713,672</u>	<u>\$12,003,724</u>

4. Notes Payable

The notes payable bear a prime-related floating interest rate and are due on October 28, 1983 and December 12, 1983 in the principal amounts of \$300,000 and \$200,000 respectively, to the Crown Investments Corporation of Saskatchewan.

5. Long-Term Debt

Loans consist of the following:

Year Received	Year Payable	Interest Rates	Debt Recorded	Equity in Sinking Fund
1967	1987	5.945%	\$ 5,932,000	\$3,632,205
1968	1988	6.585%	6,133,000	3,542,526
1969	1989	7.485%	1,124,000	556,046
1971	1991	6.930%	657,000	216,805
1977	1997	8.880%	1,030,000	102,036
1980	2000	12.000%	900,000	—
			<u>\$15,776,000</u>	<u>\$8,049,618</u>
Long-term debt - net of sinking fund				\$7,726,382
Less sinking fund installment due within one year				<u>226,425</u>
Total				<u>\$7,499,957</u>

All loans with the exception of the loan received in 1980 from the Crown Investments Corporation of Saskatchewan are payable to the Consolidated Fund of the Province. Repayment terms for these loans are established by the Government of Saskatchewan. Loans received in 1967, 1968, 1969 and 1977 are currently subject to annual sinking fund installments equal to one and one-half per cent of the recorded liability. The loan received in 1971 is currently subject to an annual sinking fund installment equal to two per cent of the recorded liability. All loans received in 1967, 1968, 1969, 1971 and 1977 are subject to repayment upon six months notice.

Equity in the sinking fund is represented by the accumulated amount of sinking fund installments made to December 31, 1982 together with the accumulated earnings on the investments included in the fund. Investment transactions of the sinking fund are initially recorded at cost. Premiums and discounts on the purchase of bonds and debentures are amortized to earnings over the term of the security. Gains or losses on the disposal of securities are included in earnings in the year the security is sold. The sinking fund is managed by the Investment and Financial Services Branch of the Department of Finance.

6. Advance from Crown Investments Corporation of Saskatchewan

The advance from Crown Investments Corporation of Saskatchewan to the Board is interest free and repayable at the discretion of the Corporation.

7. Interest Expense

Interest expense is as follows:

	1982	1981
Total interest expense	<u>\$1,113,358</u>	<u>\$1,095,652</u>
Less: Interest earned:		
Sinking fund	635,605	585,346
Short-term	16,122	35,480
Other	<u>4,633</u>	<u>—</u>
	<u>656,360</u>	<u>620,826</u>
Net interest expense	<u>\$ 456,998</u>	<u>\$ 474,826</u>

8. Remuneration of Directors and Senior Officers

The Corporation's directors received no remuneration from the Saskatchewan Water Supply Board as directors in either 1982 or 1981. The three senior officers (1981 three) received in aggregate \$139,957 in salaries in 1982 (1981 \$121,019).

9. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms with the following exceptions.

The Board has entered into contracts with two government departments. The contracts provide that billings be prepared substantially on the basis of a predetermined share of the Board's fixed capital and operating costs rather than solely on the basis of a unit charge for water consumption. The contracts further state that payments by the departments are subject to appropriation of the necessary funds in each fiscal year. Revenue earned from these contracts in the current year totalled \$746,121 (1981 \$728,891).

Other amounts due to related parties and the terms of settlement are described separately in the financial statements and the notes thereto.